

California Corporation

2005 Franchise or Income Tax Return — Water's-Edge Filers

For calendar year 2005 or fiscal year beginning month day year 2005, and ending month day year 20

California corporation number	Federal employer identification number (FEIN)	Check if corporation has: Refund on line 40 <input type="checkbox"/> or Amount due on line 42 <input type="checkbox"/>
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Corporation name

Address including Suite or Room no.

PMB no.

City	State	ZIP Code
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Schedule Q Questions

A Final return? ☐ Dissolved ☐ Surrendered (withdrawn)
☐ Merged/Reorganized ☐ IRC Section 338 sale ☐ QSub election.
 Enter date ☐

B Is income included in a combined report of a unitary group? ☐ Yes ☐ No
 If yes, indicate: ☐ wholly within CA (R&TC 25101.15)
☐ within and outside of CA

(continued on Side 2)

State Adjustments	1 Net income (loss) before state adjustments. See instructions	● 1			
	2 Amount deducted for foreign or domestic tax based on income or profits	● 2			
	3 Amount deducted for tax under the provisions of the Corporation Tax Law	● 3			
	4 Interest on government obligations	● 4			
	5 Net California capital gain from Schedule D, line 11	● 5			
	6 Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885	● 6			
	7 a Net income from included CFCs from form FTB 2416, column i. See instructions	● 7a			
	b Net income from corporations not included in federal consolidated return. See instructions	● 7b			
	8 Other additions. Attach schedule(s)	● 8			
	9 Total. Add line 1 through line 8	● 9			
	10 Intercompany dividend deduction. Attach Schedule H (100W)	● 10			
	11 a Foreign dividend deduction. Attach Schedule H (100W)	● 11a			
	b Dividends received deduction	● 11b			
	12 Additional depreciation allowed under CA law. Attach form FTB 3885	● 12			
	13 Capital gain from federal Form 1120 or Form 1120A, line 8	● 13			
	14 Contributions	● 14			
	15 EZ, TTA, or LAMBRA business expense and EZ net interest deduction	● 15			
	16 Other deductions. Attach schedule(s)	● 16			
	17 Total. Add line 10 through line 16	● 17			
	18 Net income (loss) after state adjustments. Subtract line 17 from line 9. See instructions	● 18			
Calif. Net Income	19 Net income (loss) for state purposes. Complete Schedule R if apportioning income. See instructions	● 19			
	20 Net operating loss (NOL) carryover deduction. See instructions	● 20			
	21 Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction. See instructions	● 21			
	22 Disaster loss carryover deduction. See instructions	● 22			
Taxes	23 Net income for tax purposes. Combine line 20 through 22. Then subtract from line 19	● 23			
	24 Tax. % x line 23 (not less than minimum franchise tax, if applicable)	■ 24			
	25 Credit name code no. amount	▶ 25			
	26 Credit name code no. amount	▶ 26			
	27 To claim more than two credits, see instructions	● 27			
	28 Add line 25 through line 27	■ 28			
	29 Balance. Subtract line 28 from line 24 (not less than minimum franchise tax, if applicable)	■ 29			
Payments	30 Alternative minimum tax. Attach Schedule P (100W). See instructions	■ 30			
	31 Total tax. Add line 29 and line 30	■ 31			
	32 Overpayment from prior year allowed as a credit	■ 32			
	33 2005 Estimated tax payments. See instructions	■ 33			
	34 2005 Nonresident or real estate withholding. See instructions	■ 34			
	35 Amount paid with extension of time to file return	■ 35			
	36 Total payments. Add line 32 through line 35	■ 36			

Refund or Amount Due	37 Tax due. If line 31 is more than line 36, subtract line 36 from line 31. Go to line 41	37	
	38 Overpayment. If line 36 is more than line 31, subtract line 31 from line 36	38	
	39 Amount of line 38 to be credited to 2006 estimated tax	39	
	40 Refund. Amount of line 38 to be refunded. Line 38 less line 39.	40	
	See instructions to have the refund directly deposited. a. Routing number	40a	
	b. Type: Checking <input type="checkbox"/> Savings <input type="checkbox"/> c. Account number	40c	
41 a Penalties and interest. b. <input type="checkbox"/> Check if estimate penalty computed using Exception B or C.	41a		
42 Total amount due. Add line 37 and line 41a. Pay this amount	42		

Schedule Q Questions (continued from Side 1)

<p>C This return is being filed pursuant to a water's-edge election under R&TC Section 25113, commencing on <input type="checkbox"/> (enter date) _____</p> <p>D Was the corporation's income included in a federal consolidated return? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>E Principal business activity code. (Do not leave blank): <input type="checkbox"/> _____ Business activity _____ Product or service _____</p> <p>F Date incorporated: _____ Where: <input type="checkbox"/> State <input type="checkbox"/> Country</p> <p>G Date business began in California or date income was first derived from California sources <input type="checkbox"/> _____</p> <p>H First return? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes" and this corporation is a successor to a previously existing business, check the appropriate box. <input type="checkbox"/> (1) sole proprietorship (2) partnership <input type="checkbox"/> (3) joint venture (4) corporation <input type="checkbox"/> (5) other (attach statement showing name, address, and FEIN of previous business)</p> <p>I "Doing business as" name: <input type="checkbox"/> _____</p> <p>J Did this corporation or its subsidiary(ies) have a change in control or ownership, or acquire ownership or control of any other legal entity this year? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>K At any time during the taxable year, was more than 50% of the voting stock: a Of the corporation owned by any single interest? <input type="checkbox"/> Yes <input type="checkbox"/> No b Of another corporation owned by this corporation? <input type="checkbox"/> Yes <input type="checkbox"/> No c Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? <input type="checkbox"/> Yes <input type="checkbox"/> No If a or c is "Yes," enter the country of the ultimate parent <input type="checkbox"/> _____ If a, b, or c is "Yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If any owner is an individual, provide the SSN.</p>	<p>L Has the corporation included a Reportable Transaction, Listed Transaction or Registered Tax Shelter within this return? (See instructions for definitions) <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," complete and attach Form 8886 for each such transaction.</p> <p>M Is this corporation apportioning income to California using Schedule R? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>N How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272? <input type="checkbox"/> _____</p> <p>O Corporation headquarters are: <input type="checkbox"/> (1) Within California <input type="checkbox"/> (2) Outside of California, within the U.S. <input type="checkbox"/> (3) Outside of the U.S.</p> <p>P Location of principal accounting records _____</p> <p>Q Accounting method: <input type="checkbox"/> (1) Cash (2) Accrual (3) Other</p> <p>R Did this corporation or one of its subsidiaries make a federal election to be treated as a foreign sales corporation (FSC) or a domestic international sales corporation (DISC)? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>S Is this corporation or any of its subsidiaries a RIC? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>T Is this corporation treated as a REMIC for California purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>U Is this corporation a REIT for California purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>V Is this corporation an LLC or limited partnership electing to be taxed as a corporation for federal purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>W Is this corporation to be treated as a credit union? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>X Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Y Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 8865, etc.) been filed with the Franchise Tax Board? <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Z Does the taxpayer (or any corporation of the taxpayer's combined group, if applicable) own 80% or more of the stock of an insurance company? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
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Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer	Title	Date	<input type="checkbox"/> Telephone ()
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	<input type="checkbox"/> Preparer's SSN/PTIN
	Firm's name (or yours, if self-employed) and address			<input type="checkbox"/> FEIN
				<input type="checkbox"/> Telephone ()

Schedule A Taxes Deducted. Use additional sheet(s) if necessary.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
Total. Enter total of column (c) on Schedule F, line 17, and total of column (d) on Side 1, line 2 or line 3			

Schedule F Computation of Net Income. See instructions.

Income	1	a) Gross receipts or gross sales						
		b) Less returns and allowance			c) Balance	1c		
	2	Cost of goods sold. Attach federal Schedule A (California Schedule V)				2		
	3	Gross profit. Subtract line 2 from line 1c				3		
	4	Total dividends. Attach federal Schedule C, California Schedule H (100W)				4		
	5	a) Interest on obligations of the United States and U.S. instrumentalities				5a		
		b) Other interest. Attach schedule				5b		
	6	Gross rents				6		
	7	Gross royalties				7		
	8	Capital gain net income. Attach federal Schedule D (California Schedule D)				8		
	9	Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1)				9		
10	Other income (loss). Attach schedule				10			
11	Total income. Add line 3 through line 10				11			
Deductions	12	Compensation of officers. Attach federal Schedule E or equivalent schedule						
	13	Salaries and wages (not deducted elsewhere)						
	14	Repairs						
	15	Bad debts						
	16	Rents						
	17	Taxes (California Schedule A)						
	18	Interest. Attach schedule						
	19	Contributions. Attach schedule						
	20	Depreciation. Attach federal Form 4562 and FTB 3885	20					
	21	Less depreciation claimed elsewhere on return	21a			21b		
	22	Depletion. Attach schedule						
	23	Advertising						
	24	Pension, profit-sharing plans, etc.						
	25	Employee benefit plans						
	26	a) Total travel and entertainment						
		b) Deductible amounts				26b		
	27	Other deductions. Attach schedule				27		
	28	Total deductions. Add line 12 through line 27				28		
29	Net income before state adjustments. Subtract line 28 from line 11. Enter here and on Side 1, line 1				29			

Schedule J Add-On Taxes and Recapture of Tax Credits. See instructions.

1	LIFO recapture due to S corporation election, IRC Sec. 1363(d) deferral: \$		1		
2	Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834)		2		
3	Interest on tax attributable to installment: a Sales of certain timeshares and residential lots		3a		
	b Method for nondealer installment obligations		3b		
4	IRC Section 197(f)(9)(B)(ii) election		4		
5	Credit recapture name:		5		
6	Combine line 1 through line 5, revise Side 2, line 37 or line 38, whichever applies, by this amount. Write "Schedule J" to the left of line 37 or line 38		6		

Schedule V Cost of Goods Sold

1 Inventory at beginning of year	1		
2 Purchases	2		
3 Cost of labor	3		
4 a Additional IRC Section 263A costs. Attach schedule	4a		
b Other costs. Attach schedule	4b		
5 Total. Add line 1 through line 4b	5		
6 Inventory at end of year	6		
7 Cost of goods sold. Subtract line 6 from line 5	7		

Method of inventory valuation ▶ _____

Was there any change in determining quantities, costs of valuations between opening and closing inventory? If "Yes," attach an explanation . ☐ Yes ☐ No

Enter California seller's permit number, if any ▶ _____

Check if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 ☐

If the LIFO inventory method was used for this taxable year, enter the amount of closing inventory under LIFO _____

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☐ Yes ☐ No**The corporation may not be required to complete Schedules L, M-1 and M-2. See Schedule M-1 instructions for reporting requirements.****Schedule L Balance Sheets**

	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				•
2 a Trade notes and accounts receivable			•	
b Less allowance for bad debts	()		• ()	•
3 Inventories				•
4 Federal and state government obligations				•
5 Other current assets. Attach schedule(s)				•
6 Loans to stockholders/officers. Attach schedule				•
7 Mortgage and real estate loans				•
8 Other investments. Attach schedule(s)				•
9 a Buildings and other fixed depreciable assets ..			•	
b Less accumulated depreciation	()		• ()	•
10 a Depletable assets				
b Less accumulated depletion	()		()	
11 Land (net of any amortization)				•
12 a Intangible assets (amortizable only)			•	
b Less accumulated amortization	()		()	
13 Other assets. Attach schedule(s)				•
14 Total assets.				•
Liabilities and Stockholders' Equity				
15 Accounts payable				•
16 Mortgages, notes, bonds payable in less than 1 year				•
17 Other current liabilities. Attach schedule(s)				•
18 Loans from stockholders				•
19 Mortgages, notes, bonds payable in 1 year or more				•
20 Other liabilities. Attach schedule(s)				•
21 Capital stock: a Preferred stock			•	
b Common stock			•	•
22 Paid-in or capital surplus. Attach reconciliation ..				•
23 Retained earnings – Appropriated. Attach schedule				
24 Retained earnings – Unappropriated				
25 Adjustments to shareholders' equity. Attach schedule				
26 Less cost of treasury stock		()		()
27 Total liabilities and stockholders' equity				

If the corporation **completed** federal **Schedule M-3 (Form 1120)**, see instructions.

If the corporation **completed** federal **Schedule M-3 (Form 1120)**, see instructions.

1 Net income per books ● 2 Federal income tax ● 3 Excess of capital losses over capital gains ● 4 Taxable income not recorded on books this year (itemize) ● 5 Expenses recorded on books this year not deducted in this return (itemize) a Depreciation .. \$ b State taxes ... \$ c Travel and entertainment .. \$ 6 Total. Add line 1 through line 5 ●	7 Income recorded on books this year not included in this return (itemize) a Tax-exempt interest \$ 8 Deductions in this return not charged against book income this year (itemize) a Depreciation ... \$ b State tax refunds \$ 9 Total. Add line 7 and line 8 10 Net income per return. Subtract line 9 from line 6
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Schedule M-2 Analysis of unappropriated retained earnings per books (Schedule L, line 24)

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books		Schedule M-2 Retained Earnings per Books	
1 Balance at beginning of year	●	5 Distributions: a Cash	●
2 Net income per books	●	b Stock	●
3 Other increases (itemize)		c Property	●
		6 Other decreases (itemize)	
			●
4 Total. Add line 1 through line 3	●	7 Total. Add line 5 and line 6	
		8 Balance at end of year.	
		Subtract line 7 from line 4	

Schedule D California Capital Gains and Losses

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheet(s) if necessary.

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) (d) less (e)	
1						

2	Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	2	
3	Unused capital loss carryover from 2004	3	
4	Net short-term capital gain (loss). Combine line 1 through line 3	4	

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year. Use additional sheet(s) if necessary.

5						

6	Enter gain from Schedule D-1, line 9 and/or any capital gain distributions	6	
7	Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	7	
8	Net long-term capital gain (loss). Combine line 5 through line 7	8	
9	Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10	Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11	Total lines 9 and 10. Enter here and on Form 100W, Side 1, line 5. Note: If losses exceed gains, carry forward losses to 2006	11	

Note: If losses exceed gains, carry forward losses to 2006